

Message Text

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SUBJECT: INAUGURAL MEETING OF BRAZIL-US BUSINESS COUNCIL

1. SUMMARY. INAUGURAL MEETING OF BRAZIL-US BUSINESS COUNCIL PROVIDED BASIS FOR HIGH-LEVEL COLLECTIVE INTERCHANGE BETWEEN MAJOR FIRMS OF THE TWO COUNTRIES. THE CREATION OF JOINT TASK FORCES IN THE TRADE AND INVESTMENT FIELDS, AS WELL AS AGREEMENT FOR COUNCIL SPONSORSHIP OF BRAZILIAN EXPORT WORKSHOPS IN SELECTED US CITIES, WILL ALLOW FOR CONTINUED EXCHANGES AND MUTUAL SUPPORT BETWEEN ANNUAL PLENARY MEETINGS. END SUMMARY.

2. THE BRAZIL-US BUSINESS COUNCIL, ESTABLISHED DURING MINISTER OF PLANNING REIS VELLOSO'S VISIT TO THE US IN JANUARY 1976, HELD ITS INAUGURAL MEETING IN BRASILIA, AUGUST 16-18, 1976. THE FORTY MEMBER US DELEGATION WAS LED BY CHARLES H. SMITH, JR., CHAIRMAN OF THE BOARD/SIFCO INDUSTRIES. MARCUS VINICIUS PRATINI DE MORAES, EXEC. PRES./GRUPO PEIXOTO DE CASTRO AND FORMER MINISTER OF INDUSTRY AND COMMERCE, HEADED THE BRAZILIAN DELEGATION OF 47 BUSINESS LEADERS. DURING THIS MEETING, THE COUNCIL

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MEMBERS WERE ADDRESSED BY MINISTERS REIS VELLOSO,

SIMONSEN (FINANCE), GOMES (INDUSTRY AND COMMERCE) AND SILVEIRA (EXTERNAL RELATIONS), AS WELL AS OTHER GOVERNMENT AND PRIVATE SECTOR OFFICIALS, AND RECEIVED BY THE PRESIDENT. ASIDE FROM THESE PRESENTATIONS, THE COUNCIL MEMBERS FORMED WORK GROUPS WHICH STUDIED VARIOUS ASPECTS OF THE GENERAL TOPICS OF BILATERAL TRADE RELATIONS AND THE INVESTMENT CLIMATE. THE EMBASSY IS POUCHING TO ADDRESSEES BY AIRGRAM THE TEXT OF THE JOINT COMMUNIQUE AND COPIES OF THE WORK GROUP REPORTS.

3. THE INAUGURAL MEETING WAS WELL COVERED IN THE LOCAL AND NATIONAL PRESS WHICH REPORTED SOME OF THE MORE FRANK EXCHANGES AMONG THE PARTICIPANTS. SPEAKING ON US INVESTMENT IN BRAZIL, CITIBANK VICE-PRESIDENT G.A. CONSTANZO PRAISED THE GENERAL INVESTMENT CLIMATE BUT QUESTIONED "BRAZIL'S ABILITY TO COPE WITH INFLATION AND THE RELATED CURRENT BALANCE OF PAYMENTS DEFICIT AND EXTERNAL DEBT SERVICE PROBLEM." CONSTANZO ALSO LISTED TEN "COM-PLAINTS" WHICH DISCOURAGE INVESTMENT, INCLUDING IMPORT RESTRICTIONS, AND OVERVALUED CRUZEIRO, DELAYS IN OBTAINING CDI APPROVAL FOR NEW PROJECTS, AND DIFFICULTIES IN REGISTERING TECHNICAL ASSISTANCE AND ROYALTY AGREEMENTS.

4. DURING A JOINT SMITH-MORAES PRESS INTERVIEW, THE LATTER COMMENTED THAT THE US WILL CONTINUE TO LOSE GROUND TO EUROPE AND JAPAN IN THE FIELD OF TRANSFER OF TECHNOLOGY IF THE US PERSISTS IN ITS "RIGID POSITION" OF INCLUDING R&D COSTS IN ITS PRICES AND CONDITIONS. ACCORDING TO PRATINI DE MORAES, THE US SHOULD BE MORE FLEXIBLE IN THIS REGARD IN LIGHT OF THE NUMEROUS "ADVANTAGES" BRAZIL OFFERS SUCH AS POLITICAL STABILITY, A LARGE INTERNAL MARKET AND LABOR FORCE, AND EXTENSIVE NATURAL RESOURCES. SMITH CONCEDED THESE POINTS BUT IMPLIED THAT THERE ARE STILL OTHER COUNTRIES WILLING TO PAY THE FULL PRICE FOR TRANSFER OF TECHNOLOGY. DURING HIS AUDIENCE WITH THE COUNCIL MEMBERS ON AUGUST 18, PRESIDENT GEISEL EMPHASIZED BRAZIL'S NEED FOR "KNOW-HOW," STRESSING THAT BRAZIL "CANNOT LAG BEHIND THE MOST UP-TO-DATE TECHNOLOGY NOW THAT WE ALSO NEED TO EXPORT MACHINERY."

5. THE US DELEGATION'S PUSH FOR MORE FAVORABLE CONSIDERATION LIMITED OFFICIAL USE

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FOR INVESTORS' PROBLEMS, AND THE CONCOMITANT POSITION THAT "FOREIGN TECHNOLOGY REQUIRED FOR BUILDING AND EFFECTIVE EXPORT BASE SHOULD NOT BE DISCOURAGE BY INADEQUATE REMUNERATION," WERE RECOGNIZED IN THE JOINT COMMUNIQUE. THE TRADE-OFF WITH THE BRAZILIAN DELEGATION WAS THE COUNCIL'S UNDERTAKING TO PROMOTE BRAZILIAN EXPORTS TO THE UNITED STATES. A CONCRETE AGREEMENT WAS FOR THE SPONSORSHIP OF "ONE OR MORE- BRAZIL-US TRADE WORKSHOPS IN SELECTED

U.S. CITIES--ATLANTA AND HOUSTON BEING INITIAL TARGETS
FOR THE BRAZILIANS.

6. THE COUNCIL ESTABLISHED TWO JOINT TASK FORCES--ONE
ON TRADE RELATIONS, THE OTHER ON INVESTMENT RELATIONS--
WHICH ARE TO OPERATE BETWEEN PLENARY MEETINGS. THE SECOND
JOINT PLENARY IS PROVISIONALLY SCHEDULED FOR JULY 1977
IN WASHINGTON, D.C.
CRIMMINS

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